

Credit Update

Presentation to Pfandbrief Investors

September 2021

Santander Consumer Bank AG

Disclaimer

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Agenda Investor Presentation

1. Executive Summary
 2. Update on SCB Germany
 3. Underwriting of Mortgage Loans
 4. Details of the Cover Pool
 5. Funding Strategy
- Appendix: Fact & Figures



Executive Summary (1/3)



Executive Summary (2/3)

What do the Rating Agencies say?

Rating Agency	Long Term Rating	Short Term Rating	Outlook
Standard & Poor's	A-	A-2	Stable
Moody's	A2	P-1	Stable
Fitch Ratings	A-	F2	Stable

Rating Agency	Pfandbrief Rating	Outlook
Fitch Ratings	AAA	Stable
Moody's	Aaa	Stable

"We note that the bank has been managing the operating headwinds comparably well through the pandemic-induced 2020 recession, predominantly thanks to the solid performance of the used cars financing subsegment." ¹⁾

S&P Global
Ratings



"SCB's baa2 BCA reflects, and is supported by, the bank's sound asset quality, solid capitalisation and above-average profitability compared with the German banking sector." ²⁾

MOODY'S

"At end-December 2020, the cover pool comprised 23,578 German residential mortgage borrowers with an average loan size of EUR57,500. The top 10 borrowers in the cover pool make up 0.4% of the assets." ³⁾

FitchRatings
KNOW YOUR RISK

- 1) S&P Research Update dated 14th December 2020
- 2) Moody's Research Update dated 27th July 2021; BCA stands for baseline credit assessment
- 3) Fitch Ratings dated 26st February 2021

Executive Summary (3/3)

Key Financial and Cover Pool Highlights

Profitability: Resilience even in a pandemic environment

Strong track record of resilient recurring profitability even in unprecedented environment
Slight decrease in profit before taxes due to almost quadrupled risk provisions to reflect effects of pandemic

Profit before taxes 2020: EUR 393.6 m (EUR 454.2 m in 2019)
RoRWA¹ 2020: 1.34% (vs 1.54% in 2018)

Cover Pool: Highly granular

Highly diversified cover pool both regionally within Germany and with respect to loan size

19,500 residential loans in a cover pool of EUR 1.18bn (June 30, 2021)
98% with a loan size below EUR 300.000

Cover Pool: Prudent risk management leads to good credit metrics

Conservative underwriting standards lead to low LTVs

Weighted Average Loan-To-MLV Ratio: 44.9%
Weighted Average Loan-To-Value Ratio: 38.7%



Update on SCB Germany

Update on SCB Germany

Snapshot SCB Germany



- Founded in 1957 Santander Consumer Bank AG (SCB) is the largest non-captive and second largest car finance provider in Germany
- SCB is also a market leader in consumer goods financing in Germany with a fully-fledged retail banking service
- SCB is wholly owned by Santander Consumer Finance S.A. (SCF), a leader in consumer finance in Europe, which in turn is wholly owned by Banco Santander S.A.
- Grupo Santander is one of the largest banks worldwide serving 148 million customers
- SCF is represented in Germany by SCB

Update on SC Germany

Facts and Figures SCB

- 2020 Acquisition of Sixt Leasing via Hyundai Capital Bank Europe
- 2019 Joint Venture „Hyundai Capital Services Inc.“
- 2016 Pfandbrief licence obtained and Joint Venture „PSA Bank Deutschland GmbH“
- 2015 Joint Venture „Volvo Car Financial Services GmbH“
- 2011 Acquisition of the German Retail Business of „SEB“
- 2009 Acquisition of and Merger with „GE Money Bank“
- 2008 Acquisition of and Merger with „RBS“
- 2006 Change of name into „Santander Consumer Bank“
- 2002 Merger of „CC-Bank“ with „AKB Bank“
- 1987 Branding into „CC-Bank“ and Acquisition by „Santander“
- 1957 Founded as „Curt Briechle KG Absatzfinanzierung“

FACTS

209

Branches



3.9 m

customers

EUR 50.1 bn

Balance Sheet
total



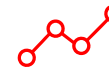
EUR 29.2 bn

Receivables to
customers



EUR 393.6 m

Profit before tax



EUR 3.3 bn

Equity



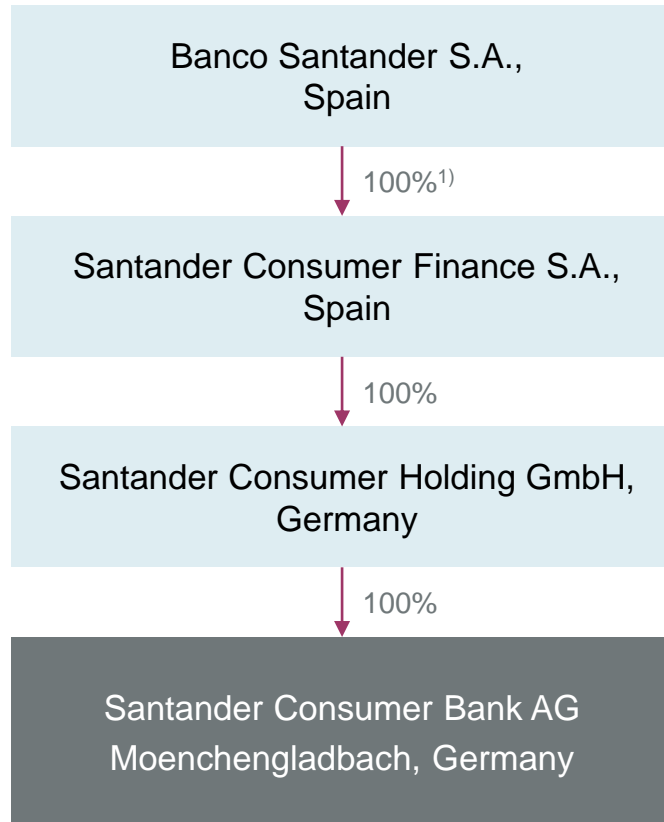
Source: Santander Consumer Bank

TIMELINE

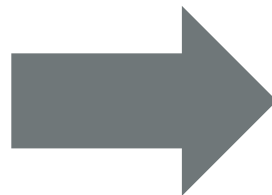


Update on SCB Germany

Ownership Structure within Banco Santander



- Santander Consumer Bank AG has a full banking license since 1967 and conducts banking business subject to the supervision of the ECB according to the uniform European Single Supervisory Mechanism (SSM) and the German Federal Financial Services Authority in co-operation with the German central bank and in accordance with the German Banking Act
- Santander Consumer Bank's entire share capital is held by Santander Consumer Holding GmbH, a limited liability company based in Mönchengladbach

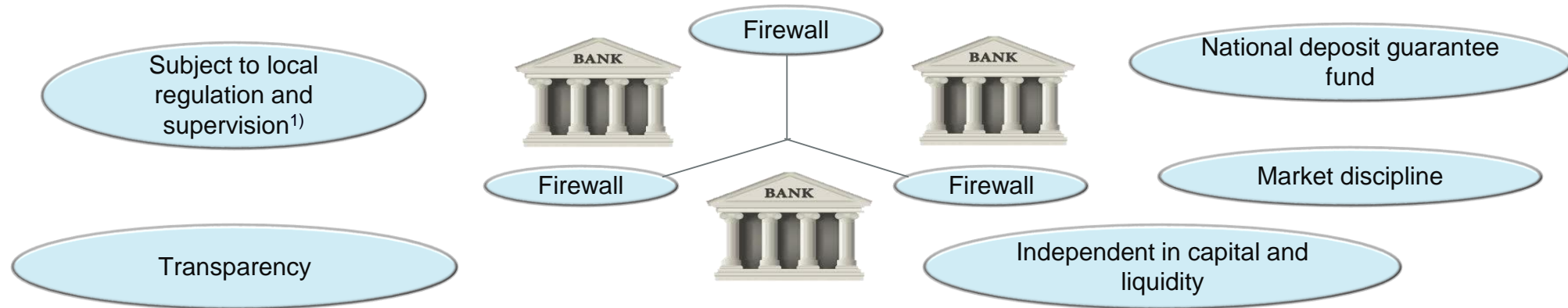


100% of share capital of SCB held by SCF

Update on SCB Germany

Subsidiaries' Model and Deposit Protection Scheme safeguard SCB

A decentralised model with legally autonomous subsidiaries ...







... which benefits from the Group's corporate policies



- Subsidiaries' model limits possible contagion among the Group's units thereby reducing systemic risks
- In addition, state of the art deposit protection scheme in place to safeguard SCB's customers

Update on SCB Germany

Our Customer's Needs are at the Center of our Business Activities

	 Mobility business	 Consumer Financial Services	 Direct business	 Business and corporate banking
Customers	<ul style="list-style-type: none"> Private clients Dealers Importers Manufacturers 	<ul style="list-style-type: none"> Private clients Retailers 	<ul style="list-style-type: none"> Private clients 	<ul style="list-style-type: none"> Corporate and commercial clients
Sales	<ul style="list-style-type: none"> Indirect sales Dealer network Sales reps Regional HVC Online activities 	<ul style="list-style-type: none"> Indirect sales <ul style="list-style-type: none"> International retailers Sales reps 	<ul style="list-style-type: none"> Direct sales <ul style="list-style-type: none"> Branches Remote advice Online activities 	<ul style="list-style-type: none"> Sales reps
Products	<ul style="list-style-type: none"> Installment loans AutoDispoPlus-Card Leasing Factoring Stock financing Importer financing Insurances 	<ul style="list-style-type: none"> Installment loans ComfortCard plus Factoring Insurances 	<ul style="list-style-type: none"> Installment loans Checking accounts Credit and debit cards Deposits Investment products Mortgage and Pfandbrief business Pension schemes Insurances 	<ul style="list-style-type: none"> Cash Management Trade Finance Working Capital Finance Growth and Investment Financing Interest Hedging Currency Hedging

Financials 2020

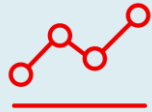
Facts and Figures SCB 2020



Profit before
Taxes

393.6
Million Euro

Previous year: 454.2 Million Euro



LCR¹

236.6%

Previous year: 187.8%



Common Tier
1 Capital
Ratio

14.44%

Previous year: 12.99%



RoRWA²

1.34%

Previous year: 1.54%



Employees³

3,075

Previous year: 3,194



Cost/Income
Ratio

62.20%

Previous year: 65.43%



Total Capital
Ratio

16.20%

Previous year: 14.61%



Client
Accounts

4,788
Thousand

Previous year: 5,384 Thousand

Update on SCB Germany

Responsible Banking Priorities 2021 in Germany: mapped to ESG

Goals

Environmental

Contribute to Paris Agreement goals by aligning our portfolios, helping our customers to transition to a low carbon economy and leading by example in our own operations

Social

Have a best in class inclusive proposition that is relevant for our business, support our diverse stakeholders and has an impact in society that is concrete and measurable

Governance

Ensure doing the things the right way by further embedding our culture, having clear and relevant policies, leverage mainstream processes, listen to our stakeholders and ensure oversight by a solid governance

Initiatives

Net 0 of own operations

- Carbon neutral since 2020, review further carbon saving activities

Support reduction of customer footprint

- Enable customers to reduce their impact through offsetting initiative with Choose
- Offsetting commitment for 5% of all financed new cars
- Increase share of alternative drive technologies (EVs & PHEVs)

Foster inclusive & collaborative culture

- Ensure comprehensive healthy and wellbeing approach (e.g. Be Healthy program, Covid measures)
- Further drive gender equality

Leverage Santander Universities

- Contribute to education, employability and entrepreneurship through around 1.000 scholarships

Drive Corporate Citizenship

- Support around 47.000 people through selected community programs

Reflect ESG standards & requirements in governance & risk management

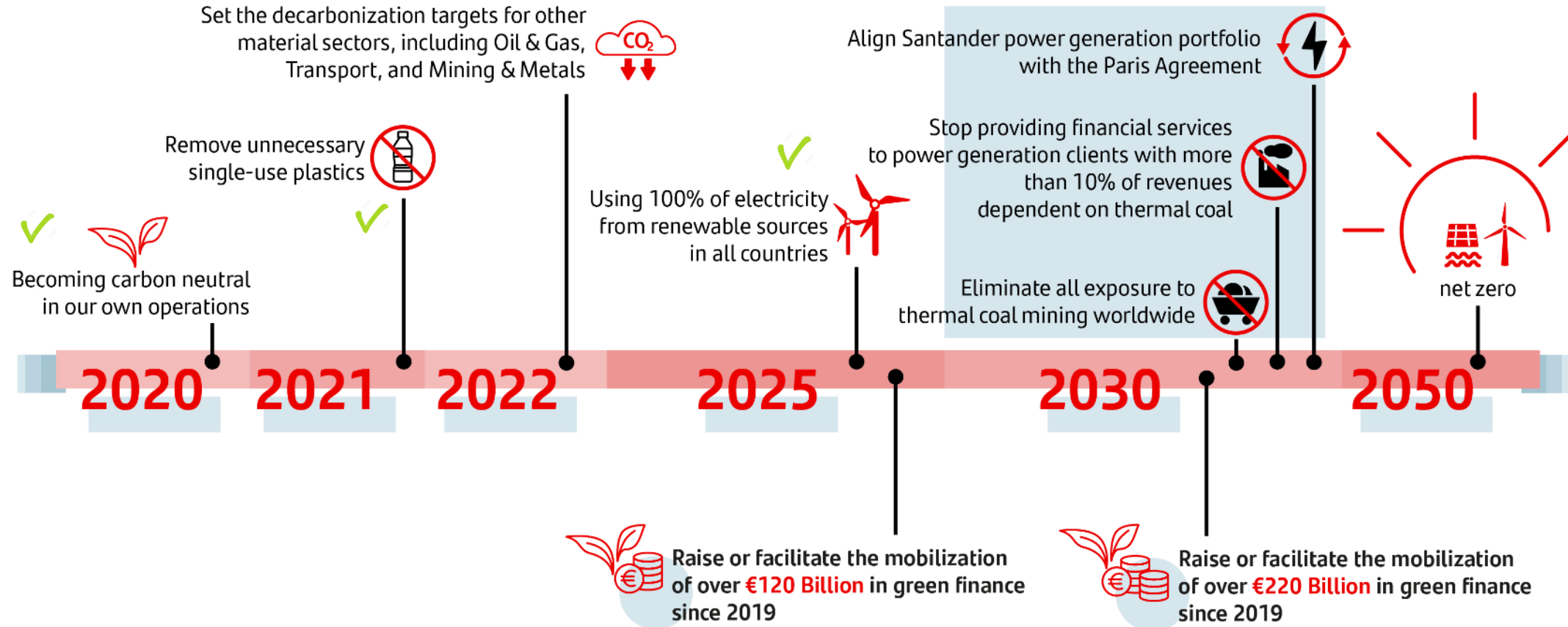
- Incorporate ESG practices towards suppliers

Drive transparency & reporting

- Evolve reporting and measurement approach

Update on SCB Germany

Journey of Banco Santander to be net zero by 2050



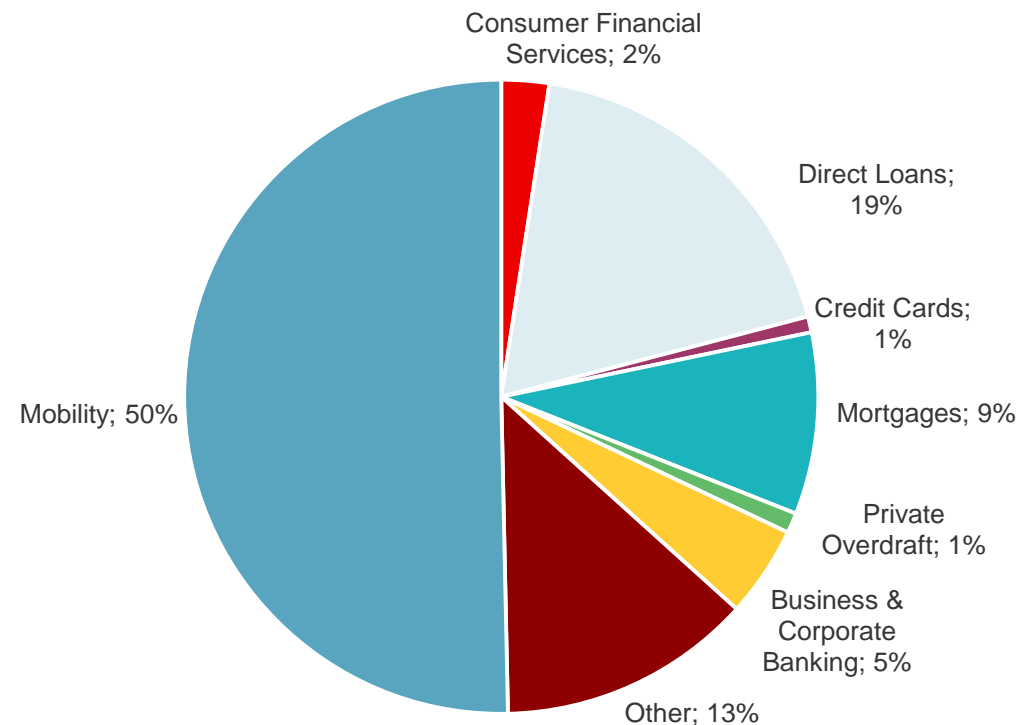
✓ = Germany already implemented

Update on SCB Germany

Diversification of Customer Assets

Business Area (in m EUR)	Net balance 2019	Net balance 2020	% 20 / 19
Mobility	15,011	14,707	-2.0%
Consumer Financial Services	1,040	711	-31.6%
Direct Loans	5,172	5,403	4.5%
Credit Cards	299	237	-20.9%
Mortgages	2,970	2,709	-8.8%
Private Overdraft	352	301	-14.5%
Business & Corporate Banking	1,455	1,355	-6.9%
Other	3,661	3,794	3.6%
SCB AG	29,961	29,217	-2.5%

Relative portfolio share 2020



In addition to the impact arising from restriction related to Covid-19 the following aspects influenced the development of customer assets:

- Mobility outstanding decreased due to lower new business (-2.8%)
- Return-driven decline in Consumer Financial Services due to ongoing cancellation of unprofitable business
- Higher outstanding in Direct Business mainly due to increasing terms despite of nearly unchanged turnover
- Decreased outstanding in mortgage business driven by higher redemptions

Update on SCB Germany

Outlook

Targets

Maintain solid risk quality

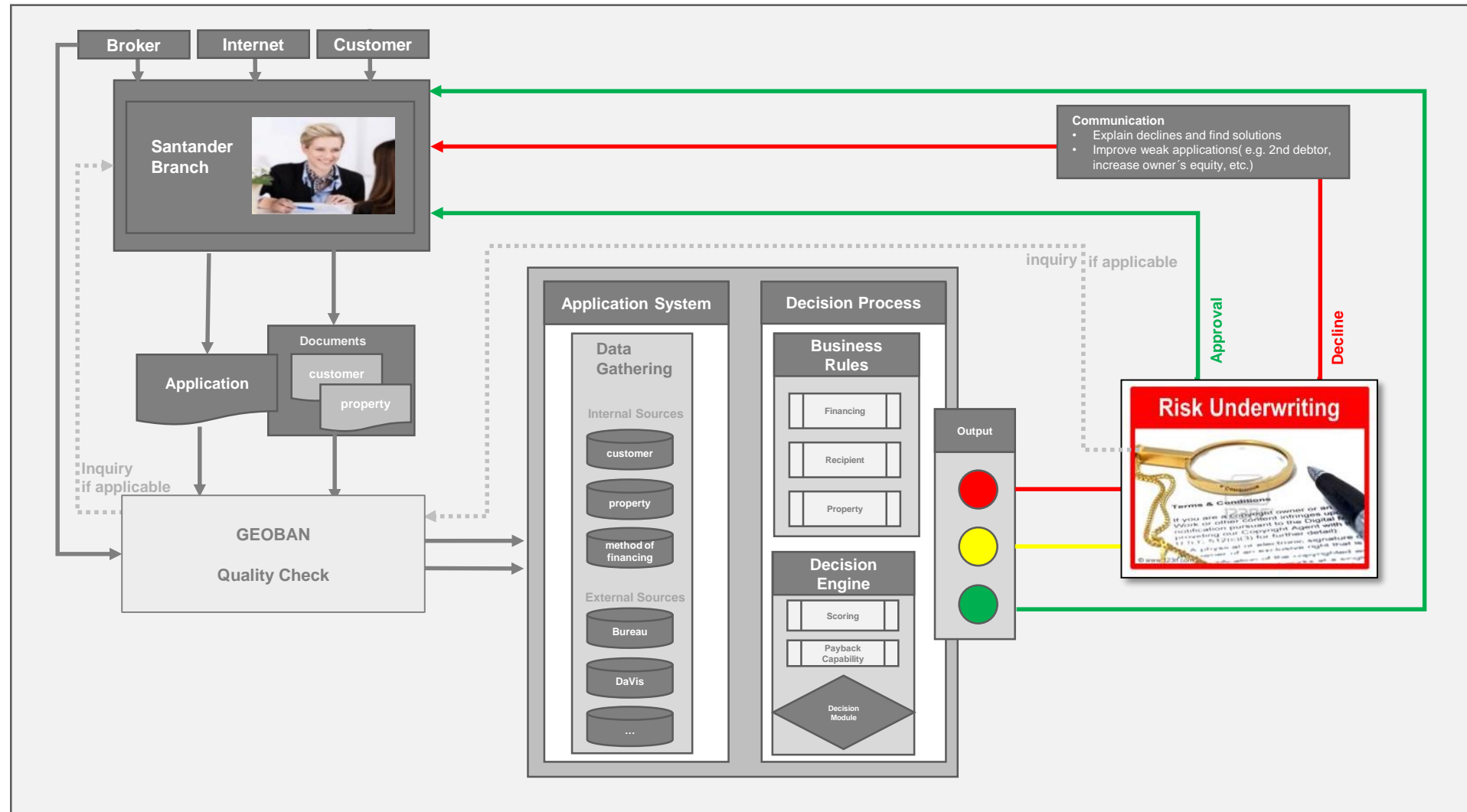
Increase in profit before tax envisaged; however low visibility on 2021 earnings forecast given the uncertain further development of the pandemic

Continue to seize growth opportunities by increasing the number of products per customer

Underwriting of Mortgage Loans

Underwriting of Mortgage Loans

Admission Process – New Business Mortgage Loans



Underwriting of Mortgage Loans

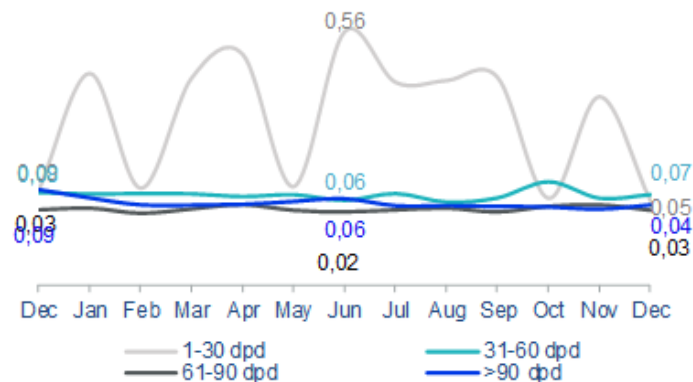
Organisational Guidelines



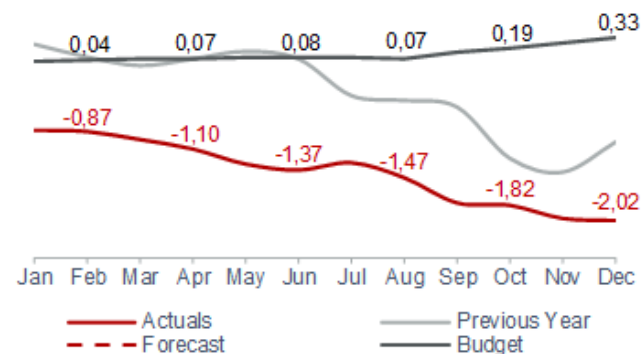
Underwriting of Mortgage Loans

Good Risk Quality of Mortgage Portfolio

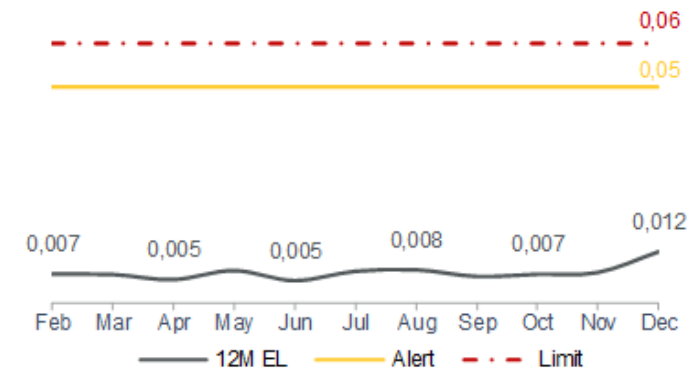
■ Delinquency Classes over non-defaulted portfolio (%)



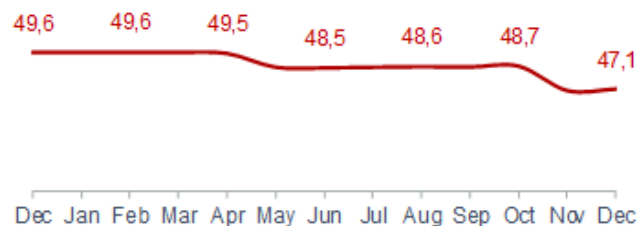
■ Loan Loss Provisions YTD (Mn€)



■ 12M Expected Loss



■ Average Loan to Value (LTV) (%)



■ Cost of Credit and Gross Margin (%)



Details of the Cover Pool



Details of the Cover Pool

Selection Criteria of Cover Assets

Mortgage loans

Key Characteristics:

- Santander mortgage loans
- Euro-denominated
- Germany-based mortgages



- Residential mortgages
- BelWertV-compliant mortgage lending value calculations
- Mostly small loan sector („Kleindarlehen“ acc. to §24 BelWertV)



Statutory over-collateralisation and further assets

Key Characteristics:

- Bonds with debtor German Federal Government, a German federal state, the European Investment Bank, the International Bank for Reconstruction and Development, the Council of Europe Development Bank or the European Bank for Reconstruction and Development
- Deposits with the European Central Bank/Deutsche Bundesbank



Details of the Cover Pool

Removal of Assets from Cover Pool

Mortgage loans

- Mortgage loan has been fully repaid
- Changes concerning the register
- Cover pool monitor remarks
- No valid mortgage insurance
- Drop of creditworthiness
- Loan in arrears
- Forced administration

Statutory over-collateralisation and further assets

- Due date
- No longer eligible for cover pool due to regulatory changes
- Change of cover assets due to internal decisions



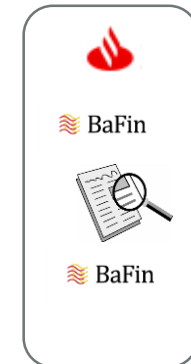
All removals have to be permitted in advance by cover pool monitor

Details of the Cover Pool

Cover Pool Management



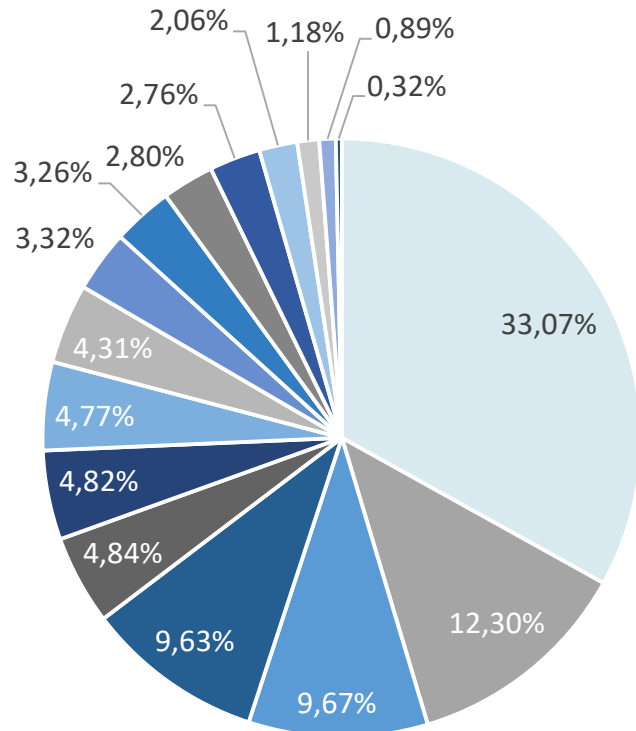
- Daily processing and monitoring of cover pool
- Supervision by Cover Pool Monitor (Treuhänder) and BaFin
- Quarterly public reports (§28 PfandBG)
- Monthly reports to BaFin (as soon as statutory order of §27a PfandBG will have been published)



Characteristics of the Cover Pool (1/4)

Broad Regional Diversification

■ Nordrhein-Westfalen
 ■ Niedersachsen
 ■ Hessen
 ■ Baden-Württemberg
 ■ Brandenburg
 ■ Schleswig-Holstein
 ■ Bayern
 ■ Berlin
 ■ Sachsen
 ■ Rheinland-Pfalz
 ■ Mecklenburg-Vorpommern
 ■ Hamburg
 ■ Sachsen-Anhalt
 ■ Thüringen
 ■ Bremen
 ■ Saarland



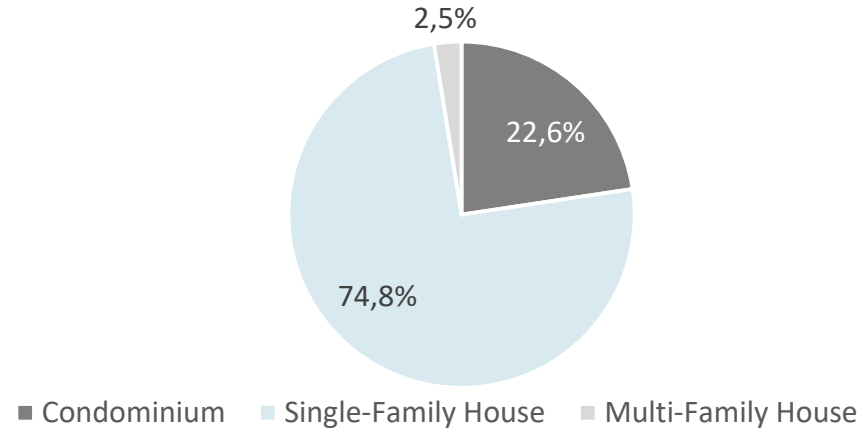
Region	Share of Cover Pool	Share of Population
Nordrhein-Westfalen	33,07%	21,6%
Niedersachsen	12,30%	9,6%
Hessen	9,67%	7,6%
Baden-Württemberg	9,63%	13,4
Brandenburg	4,84%	3,0%
Schleswig-Holstein	4,82%	3,5%
Bayern	4,77%	15,8%
Berlin	4,31%	4,4%
Sachsen	3,32%	4,9%
Rheinland-Pfalz	3,26%	4,9%
Mecklenburg-Vorpommern	2,80%	1,9%
Hamburg	2,76%	2,2%
Sachsen-Anhalt	2,06%	2,6%
Thüringen	1,18%	2,5%
Bremen	0,89%	0,8%
Saarland	0,32%	1,2%
Total	100,00%	100%

- Cover Pool (EUR 1.185 bn in total) consists of German residential mortgage loans only
- High degree of regional diversification within Germany
- Regional distribution to be maintained in the future

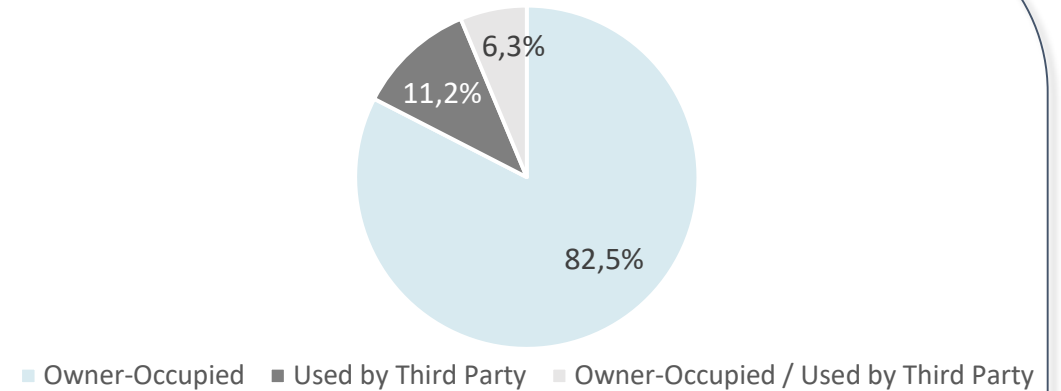
Cover Pool Characteristics (2/4)

Other Characteristics

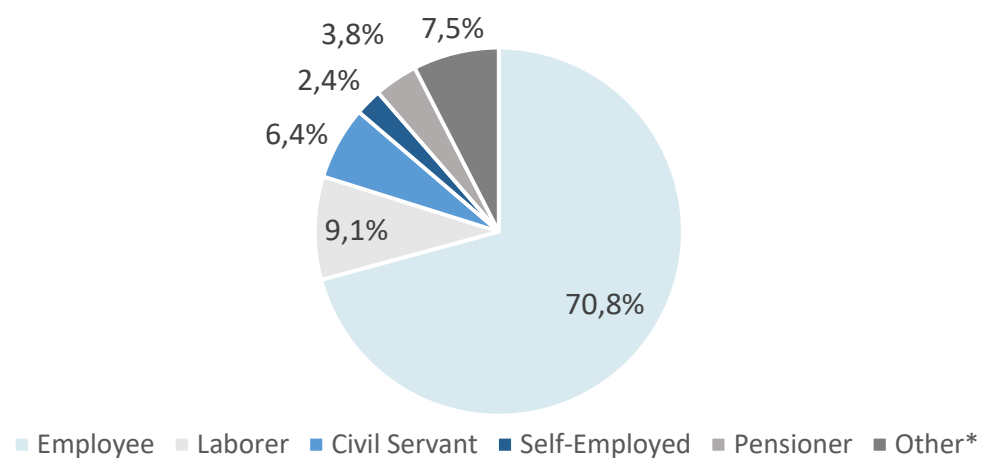
Cover Pool – by property type



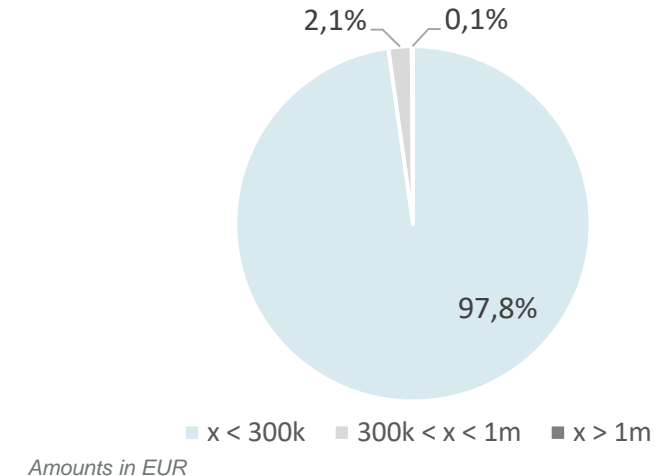
Cover Pool – by property use



Cover Pool – by employment status



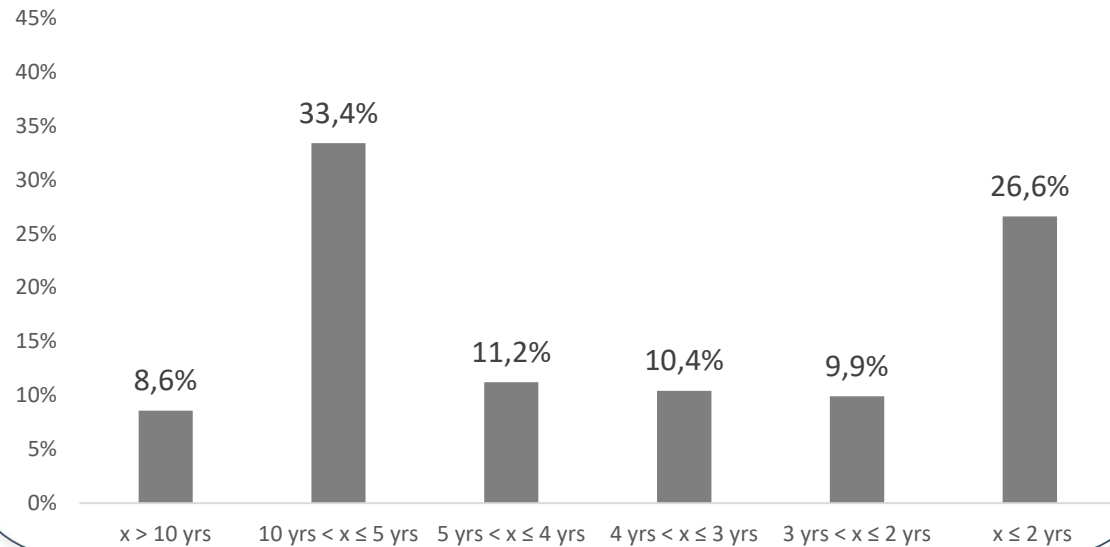
Cover Pool – by loan volume in cover



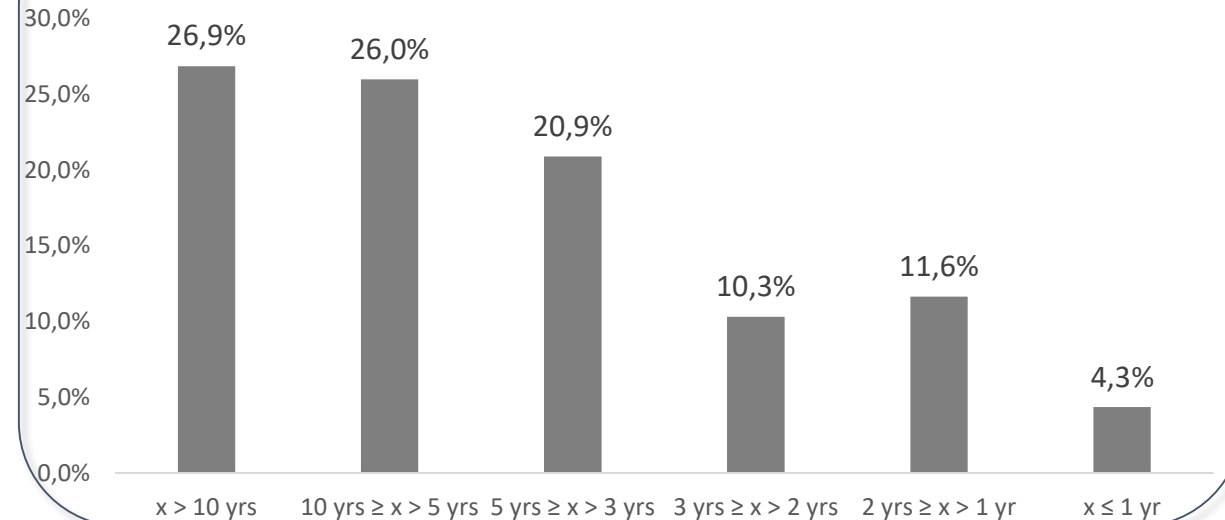
Cover Pool Characteristics (3/4)

Other Characteristics

Maturity Profile – Time to Interest Rate Reset



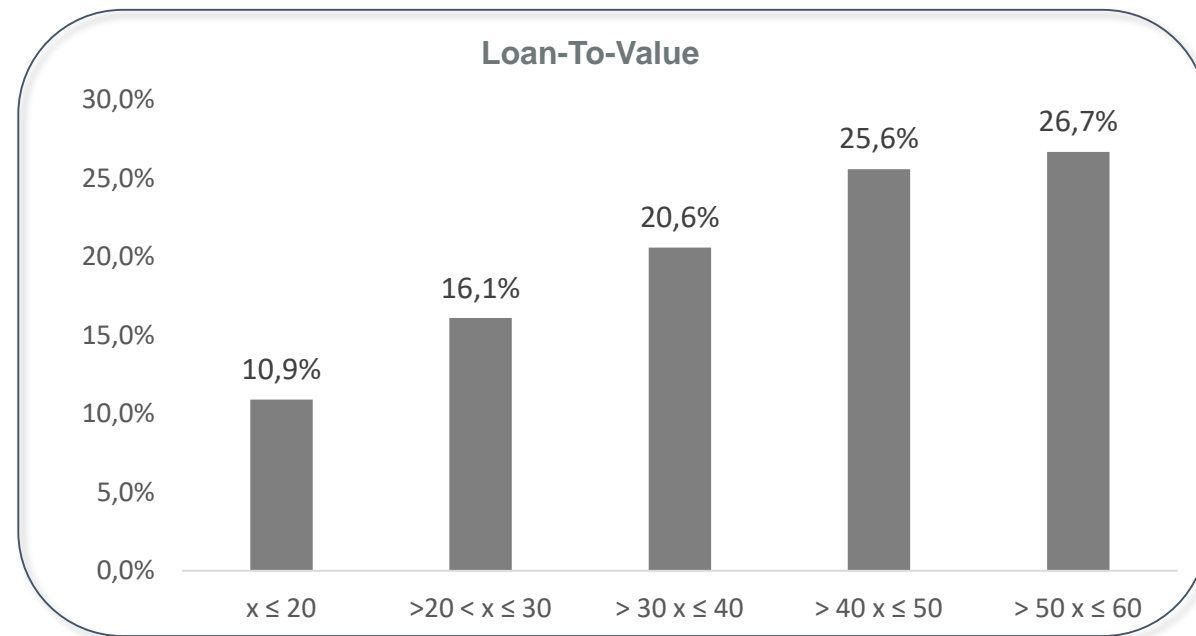
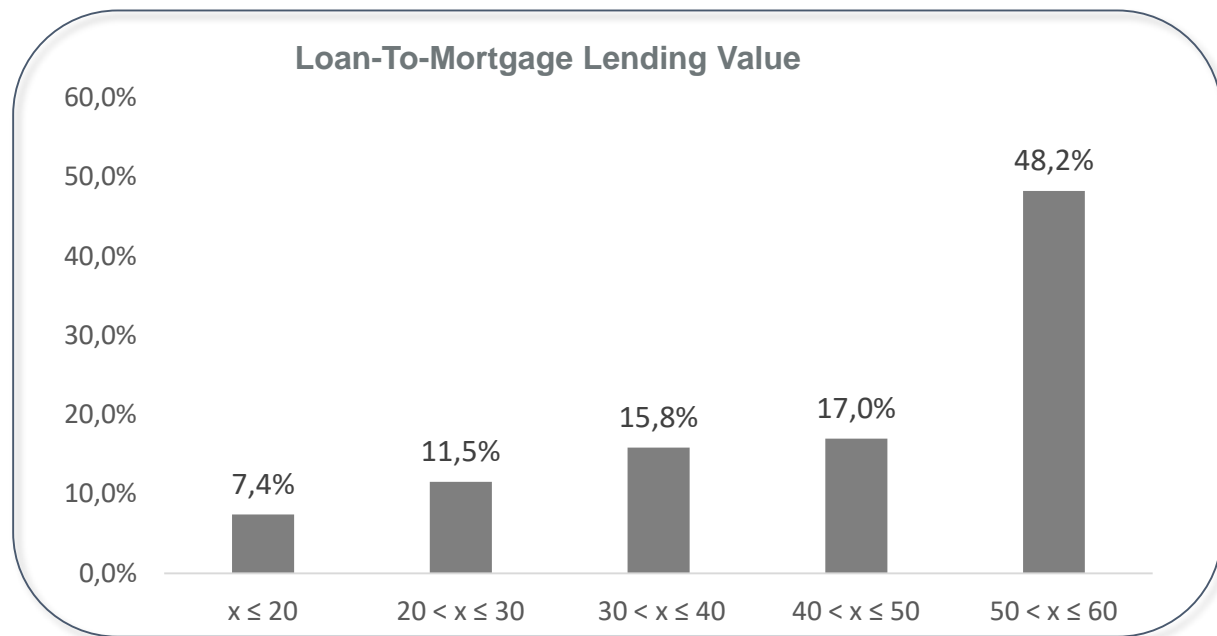
Seasoning



- Diversified mix of loans regarding origination date and interest rate reset date
- Cover Pool will be managed through usage of loan stock and new business
- Further smoothing-out of maturity profile to be expected down the line

Cover Pool Characteristics (4/4)

Ratios



- Conservative collateralization of mortgage claims
- Weighted Average Loan-To-MLV Ratio: 44.9%
- Weighted Average Loan-To-Value Ratio: 38.7%

Funding Strategy

Funding Strategy

Funding Mix

Targets of funding strategy

- Maintain strong retail deposit base
- Strengthen ABS funding via market transactions
- Make efficient use of TLTRO
- Further broadening and diversification of the investor base by issuing
 - Pfandbriefe
 - Senior Unsecured Debt
 - Commercial Paper

Securitisations as an important funding tool

- SCB has a long track record of originating and structuring European ABS deals
- Main features of our structures include
 - Highly granular and well diversified loan portfolio
 - STS¹ true sale loan transaction
 - Credit enhancement: excess spread, subordination, overcollateralization

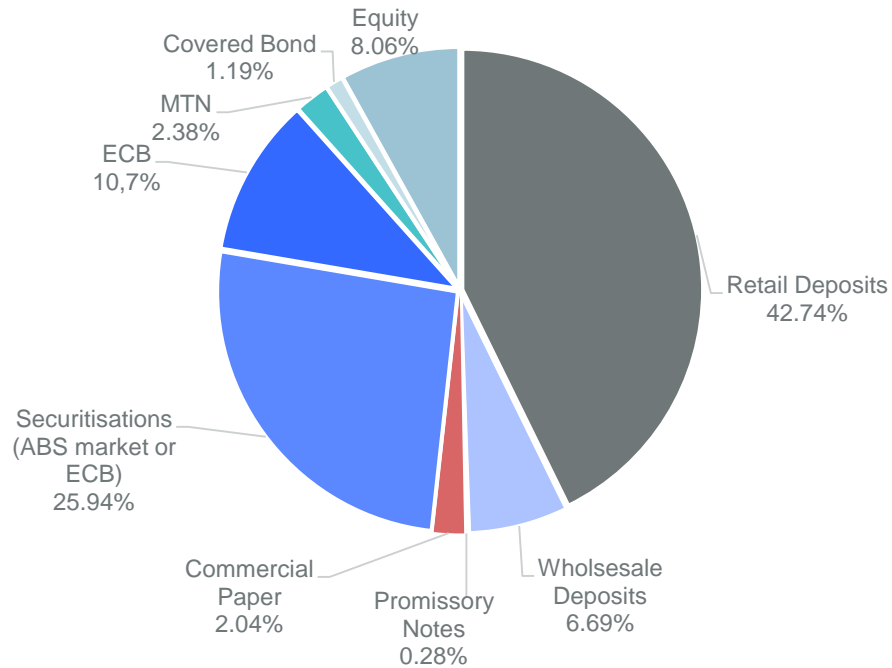
Intensifying further funding sources

- To establish reputation as a frequent issuer with respect to
 - Pfandbriefe
 - Senior Unsecured Debt
 - Commercial Paper

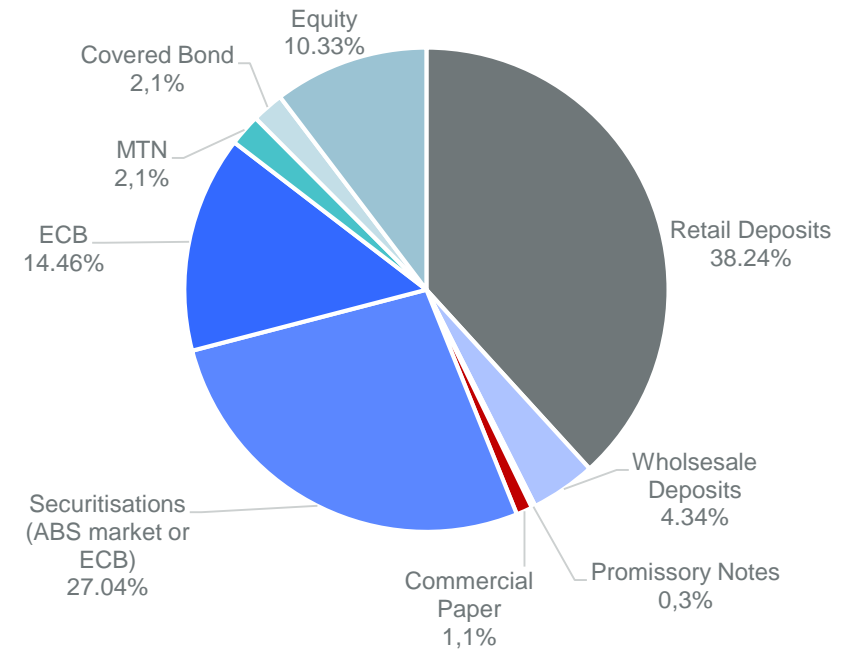
Funding Strategy

Further Diversification of Funding in 2020

Funding Mix December 2019: EUR 42.1 bn



Funding Mix December 2020: EUR 46.9 bn



- 38% of funding portfolio is provided by retail deposits in 2020
- Pfandbrief issuance in February 2020 has further strengthened the refinancing basis

Credit Update



VIELEN DANK.

Unser Anspruch ist, zum Erfolg von Menschen und Unternehmen beizutragen.

Unsere Kultur basiert auf der Überzeugung, dass alles, was wir tun, einfach, persönlich und fair ist:

Simple Personal Fair

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MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM





coffee
break

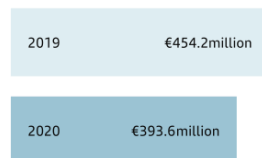
Appendix

Appendix

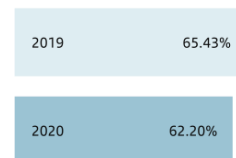
Snapshot of Success Numbers

Facts and Figures Santander Consumer Bank AG

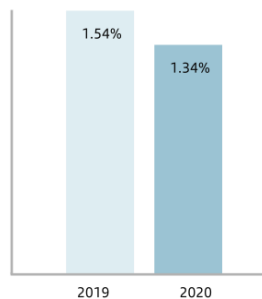
Profit before Taxes



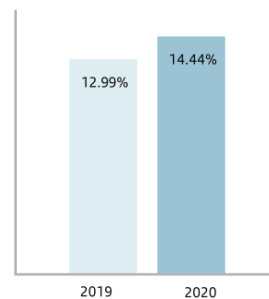
Cost-Income Ratio



Return on Risk Weighted Assets



CET 1



* Equity excluding subordinated liabilities and profit participation certificates

** Ratings as of day of preparation of annual report

Figures may not add up due to rounding.

Profit and Loss Statement German GAAP (HGB)	01/01/ - 31/12/2020 (in € million)	01/01/ - 31/12/2019 (in € million)	Change (in %)
Net Interest Income	1,009.7	1,043.5	-3.2
Net Fees and Commissions	158.0	154.7	2.1
Income from Capital Instruments	0.2	11.2	-98.0
Gross Margin	1167.9	1209.4	-3.4
Personell Expenses	294.7	315.5	-6.6
General Expenses	376.4	416.5	-9.6
Amortization	55.4	59.3	-6.6
Other Operating Income and Expenses	2.5	15.3	-84.0
Operating Income	443.9	433.4	2.4
Net Loan Loss Provisions	123.7	33.2	273.2
Earnings from Profit Transfer Agreements	74.1	54.2	36.6
Profit before Taxes	393.6	454.2	-13.4

Ratios	01/01/ - 31/12/2020 (in %)	01/01/ - 31/12/2019 (in %)	Change (in Basis Points)
Cost-Income-Ratio	62.20	65.43	-323
Return on Risk Weighted Assets	1.34	1.54	-20
NPL Ratio	1.70	2.00	-30

Banking Regulatory Ratios	31/12/2020 (in %)	31/12/2019 (in %)	Change (in percentage points)
Core Equity Tier 1 Ratio (CET 1)	14.44	12.99	145
Total Capital Ratio	16.20	14.61	159
Leverage Ratio	7.32	7.80	48

Balance Sheet Figures	31/12/2020 (in € billion)	31/12/2019 (in € billion)	Change (in %)
Balance Sheet Total	50.127	46.102	8.7
Liabilities to Costumers	22.774	23.170	-1.7
Receivables from Customers	29.217	29.961	-2.5
Equity *	3.318	3.068	8.1

Ratings**	Long Term	Short Term	Outlook
Moody's	A2	P-1	Stable
Standard & Poor's	A-	A-2	Stable
Fitch Ratings	A-	F2	Stable

Pfandbrief-Ratings	Rating	Outlook
Moody's	Aaa	Stable
Fitch Ratings	AAA	Stable